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CAMBODIA

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[redacted] the government yesterday announced the completion of the cabinet shuffle. The major change was the naming of armed forces chief of staff Sak Sutsakhan as defense minister. General Sutsakhan, who is widely respected as an elder statesman, was also named deputy prime minister. This move is apparently designed to emphasize his civilian role and the government's increased control over the military establishment.

The only other changes of any significance were the appointment of Socio-Republican strongman Hang Thun Hak as a second deputy prime minister and the removal of the notoriously corrupt interior minister, Ek Proeung. Proeung's portfolio was transferred to Hou Hong, a close political ally of Long Boret's, and already a cabinet member.

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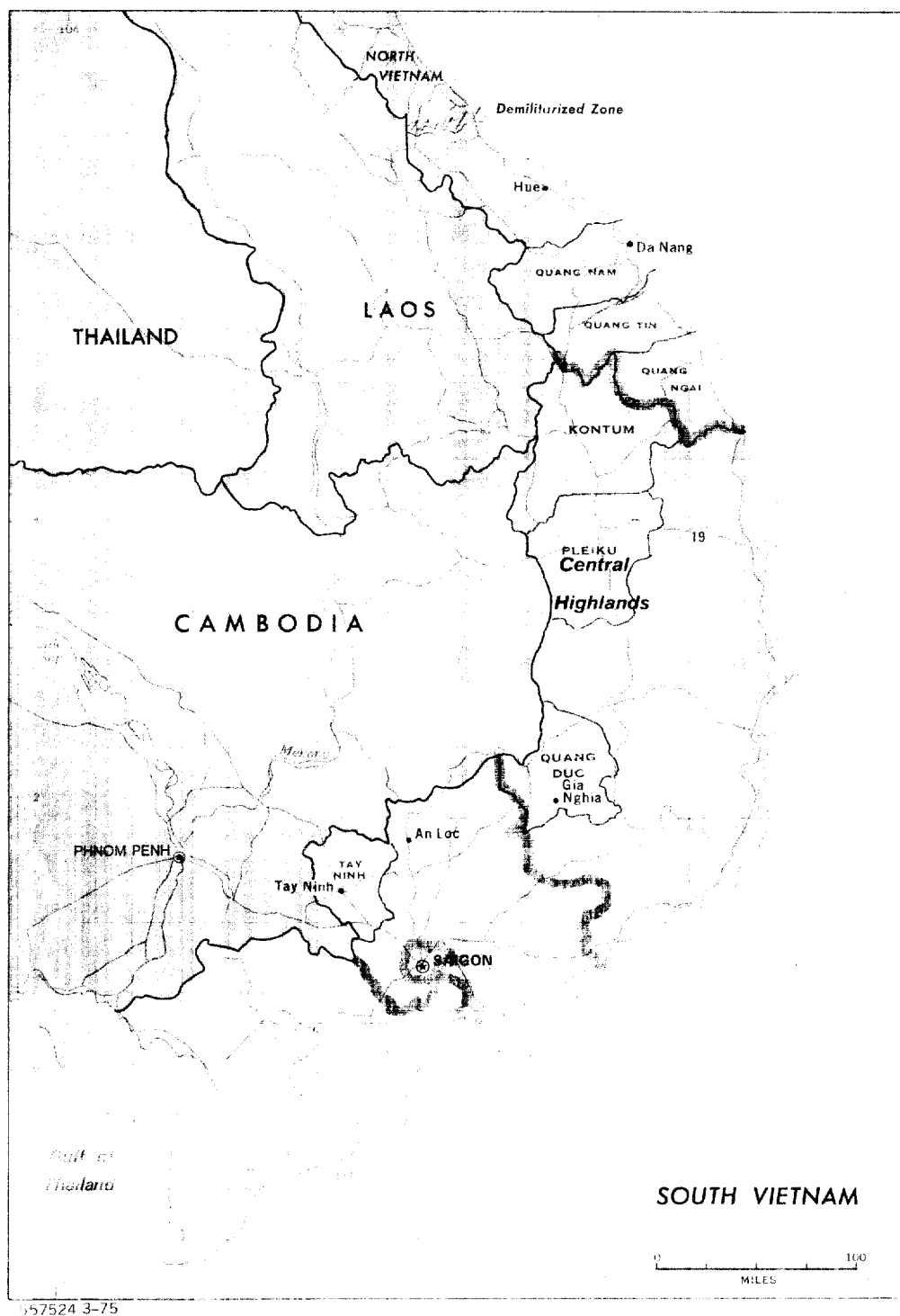
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The new cabinet is still dominated by Lon Nol's Socio-Republican Party. The Democrats and Republicans--two minority parties--refused to participate, but Republican Party strongman Sirik Matak apparently remains as a member of the executive council, the top policy-making body. With the resignation of Sosthene Fernandez--now en route to France--Matak, Boret, and Lon Nol are the three active government leaders with whom the communists have refused any dealings whatsoever.

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SOUTH VIETNAM

The control of territory in various parts of South Vietnam continues to pass back and forth.

Quang Duc has been added to the growing list of provinces ceded to the communists. Government forces have withdrawn from the provincial capital of Gia Nghia, reportedly without obtaining approval from higher authority. This gives the North Vietnamese control of all the provinces north of Tay Ninh that border on Cambodia.

Regional commanders in the central provinces now believe that the South Vietnamese 23rd Division no longer exists as a fighting unit and that it will take at least a year to rebuild it. Thus far, few of the stragglers from the highland provinces have been regrouped into viable fighting units. The 22nd Division continues to be an effective force, but it has stopped trying to open Route 19. A sizable number of people who have fled Kontum and Pleiku provinces are trapped along this road.

The military situation remains grave in many of the northern provinces, but the South Vietnamese have had some successes there in the past few days. Government units have cleared some lowland areas in Quang Nam, Quang Tin, and Quang Ngai provinces in an attempt to push the communists back from highways being used for refugee evacuation.

Closer to Saigon, the evacuation of South Vietnamese forces from An Loc is nearly complete. There has been virtually no communist reaction to the move. The commander of the provinces ringing the capital is continuing to maneuver his forces to counter the increasing number of communist initiatives in the region.

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SOUTH VIETNAM

Saigon's decision to abandon certain provinces will mean large numbers of new refugees dependent on the government. Although accurate figures on displaced persons are not available, the population of the relinquished provinces was about 1.5 million. The Vietnamese Red Cross reports some 400,000 people at the least are on the move, and the number could run well over a million.

South Vietnam has had considerable experience in dealing with large numbers of refugees. The pace at which refugees are arriving in urban areas, however, is putting considerable strain on the administrative machinery.

The communist offensive in 1972 resulted in some 750,000 displaced persons in camps around the country, about half of them concentrated in the Da Nang area. Only an estimated 40,000 remained in these camps before the latest round of military action, because of Saigon's policy of moving refugees out of the camps and into resettlement villages or back to their original homes.

The bulk of the new refugees will first find shelter among friends and relatives and in schools, pagodas, and other public buildings. Many of the refugee camps will have to be reorganized to handle the new arrivals as these short-term facilities are filled.

The most important immediate requirement will be food. Rice stocks are now at the highest level in years. In Saigon alone, rice stocks are about 200,000 tons, while those in the northern provinces are estimated at about 90,000 tons. Deliveries of newly harvested rice from the delta to Saigon are continuing at substantial levels, and so far are unaffected by the current fighting. This will provide Saigon with some flexibility in handling the current problem. The rice ration for refugees is 500 grams a day, setting a requirement of about 50 tons of rice a day for each 100,000 persons.

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The government will face some difficulty transporting rice to the refugees from Saigon, where most of it is stored. All major roads out of Saigon to the north are cut or insecure. Waterborne shipment must be used to carry rice and other supplies to the major coastal centers such as Da Nang and Nha Trang, where many of the displaced persons will be located.

The cost of food and shelter for the new refugees will add considerably to the government's already inflated national budget for 1975. The daily cost of rice rations alone will be some \$13,000 for each 100,000 refugees, and the total cost could easily be two to three times this amount. Because the government appears to have at least temporarily ceded the lost provinces, it will have to revise its previously successful policy of eventually returning most refugees to their homelands. Instead, new resettlement areas will have to be established in the remaining secure areas at an estimated cost of almost \$100 a person.

Over the longer run, the new refugees will increase pressures on the already populous secure areas. This is almost certain to thwart Saigon's plans for achieving and sustaining an exportable rice surplus, since limited growing regions will have to support larger numbers of people.

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PLO

Yasir Arafat and other moderate leaders of the Palestine Liberation Organization are once again acting more forthcoming on an eventual public acceptance of Israel. By using second-level spokesmen and vague language, they are attempting to make the minimum concessions necessary to win the Palestinians a role in negotiations without prematurely alienating their many skeptical and more militant colleagues.

This week, the PLO representative in London, Said Hammami, wrote in a news magazine that some form of "mutually acceptable coexistence" might in time be developed between Israel and a Palestinian state. Hammami suggested that, if the current settlement efforts result in the establishment of some kind of Palestinian entity, the PLO could pursue its ultimate "dream" of a secular Palestine by nonviolent, evolutionary means.

This is the most forthright public statement so far by the PLO, but the Palestinians' willingness to recognize formally and to live in peace with Israel is still only implicit in Hammami's statement. As a result, Israel will be unmoved. Tel Aviv will refuse to negotiate with the Palestinians until they explicitly recognize Israel's right to exist and forswear terrorist attacks on Israel.

Although Arafat reportedly approved Hammami's statement, Arafat is unlikely to defend it publicly or make any more explicit concessions unless he receives something substantial in return. Arafat almost certainly would be removed from his post as PLO chairman if he were to recognize Israel without receiving reciprocal Israeli and US recognition of the PLO.

The PLO's governing executive committee looks on the Hammami statement and those like it made by PLO officials in Beirut as trial balloons to which the organization's prestige should not be attached. The PLO officially denied responsibility for a similar statement made by Hammami in April 1974. At that time, his proposals for coexistence with Israel were condemned by the Palestinian press and ignored by Israel.

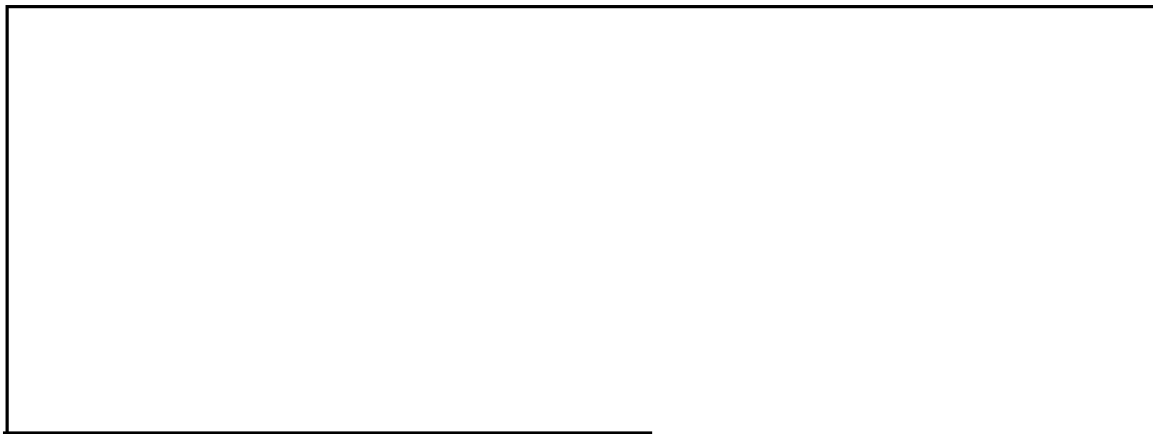
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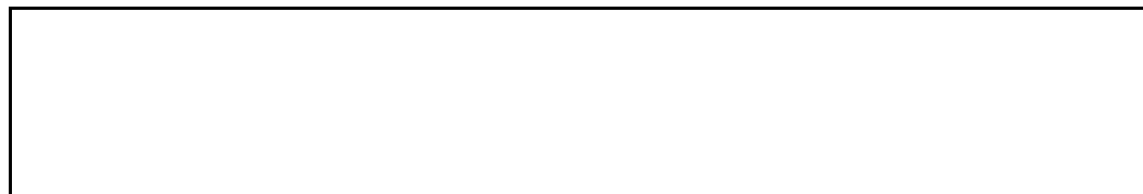
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TURKEY-CYPRUS

[redacted] in a conversation with Ambassador Macomber on March 19, obviously hoping to impress the US with the gravity of the situation and to exert pressure for a restoration of aid. Esenbel said he was deeply disturbed by the postponement of any congressional legislation to restore US military assistance to Turkey. He tried to correct what he said was a false impression that Turkey was being "softened up" and that the danger of retaliation against the US was passing. The foreign minister emphasized that the only reason retaliation had not been taken in recent days was the confidence the Turkish leadership had in US assurances that the cutoff legislation would be reversed.

Esenbel said that former prime minister Ecevit had warned that the US government was becoming too complacent and had recommended choosing a US installation and moving against it. Esenbel claimed to have resisted the suggestion, but thought that the forces favoring such retaliation could not be held off much longer.



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The press, meanwhile, continues to play up stories that some installations will be closed temporarily, pending a resumption of US aid. Prime Minister Irmak is quoted as saying, "After waiting for one month, we will put into effect the measures we are going to take." He is also quoted as stating, "If US aid is not resumed, a review of our participation in NATO will be a definite necessity."

Such public statements are probably intended for domestic consumption and designed to put pressure on the US. Ambassador Macomber notes that the US might have a bit more time now that prospects are somewhat brighter for a new government being formed in Ankara.

On the Cyprus issue, Ambassador Macomber reports that many Turkish leaders seem convinced of the need to begin meaningful negotiations about Cyprus, although they still condition this on the formation of a new government and on concrete steps toward the resumption of US military aid. The Turks want assurances that Cyprus President Makarios will not torpedo the negotiations.

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Ankara has also made it clear that the question of a bizonal federation is nonnegotiable and that only such matters as the powers of the federal government and the size of the Turkish Cypriot zone are open to discussion.

The Greek government has hinted that it may now be willing to accept a bizonal solution, provided the federal government is given meaningful powers and the size of the Turkish Cypriot zone is reduced substantially. Prime Minister Karamanlis and Greek Cypriot negotiator Clerides argued for such a position in discussions with Makarios in Athens late last year, but apparently failed to persuade him.

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PANAMA

The negotiations between Panama and the US for a new canal treaty will be the central theme when General Torrijos hosts the presidents of Colombia, Costa Rica, and Venezuela on Sunday and Monday. The Panamanian leader is likely to be in an optimistic mood because of the recent transfer to Panama of a parcel of land from the Canal Zone which the Panamanians have long wanted in order to expand the important Colon free-trade zone.

Torrijos' main goal will be to have the three presidents sign an official declaration of support for Panama's aspirations in the negotiations. As an expression of solidarity, Colombian President Lopez will renounce his country's claim to special rights over the canal, which are currently recognized in the Urrutia-Thomson Treaty of 1914 between the US and Colombia. In return, Panama will promise to grant these rights, primarily the toll-free passage of warships through the canal, to Colombia when a new treaty is signed with the US. Panama will also extend the rights to its other neighbor, Costa Rica. President Perez of Venezuela will sign the document as a witness and as a symbol of moral support for Panama.

Latin American regional solidarity is another topic likely to be included in the conference's "Declaration of Panama." Perez will push for the creation of the Latin American Economic System, which he and Mexican President Echeverria are sponsoring. Torrijos is likely to table Panama's proposals for a structural reform of the OAS, which might include moving the organization's headquarters to Panama.

Torrijos may try to get backing for Panama's bid for the UN Security Council seat that Costa Rica will vacate this year. He has failed to get Argentina to relinquish its claim, however, and his guests may be reluctant to deal with that issue.

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PORTUGAL

The Portuguese Communists are pressing for the elimination of the center-left Popular Democrats from the government. They may not, however, have enough pull within the Armed Forces Movement to get the Popular Democrats excluded from the new cabinet, which is expected to be named within a week. Leaders of the Popular Democratic Party have told the US embassy that they have already been invited to remain.

Moderate forces apparently made something of a comeback yesterday. The Revolutionary Council announced after a meeting that ended early this morning that it would expand its membership to include four leading moderate government officials. The Council also voted to allow any of its members to be expelled by a vote of the 200-man assembly of the Armed Forces Movement. This could allow the more moderate mainstream of the military to gain greater influence.

Both actions, if they do not turn out to be merely cosmetic, would go some way in restraining the leftward drift in Portuguese politics and might presage the naming of a new cabinet not as leftist oriented as some moderates in Portugal may have feared.

While the Communists are testing their strength, the Social Democratic Center--the only remaining legal party that is right of center--is trying to recover from the loss of its election ally, the Christian Democratic Party, banned earlier in the week. The Revolutionary Council has ruled that the Social Democratic Center can run alone in the election and offer a new list of candidates to replace the Christian Democrats who had been part of the coalition's slate.

The Social Democratic Center, however, still faces serious problems. It lost its records in attacks on party offices following the coup attempt. The party will probably be able to mount only a modest election campaign, relying on the support of moderates in the north and possibly village priests.

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EC

EC finance ministers discussed problems relating to floating exchange rates in a series of meetings this week and decided to consult with the US on ways to spur Western economic growth.

The ministers involved with the operation of the seven-country European joint float met with the other EC members and Swiss representatives to discuss inclusion of the Swiss franc in the currency group. The Swiss, who hope to relieve the upward pressure on their franc and to maintain a competitive position with their European trading partners, have apparently made a formal request for discussions on the subject.

Some EC members, such as the UK, Italy, and Denmark, are apprehensive that Swiss inclusion in the band may cause upward pressure on it, making the re-entry of floating EC currencies and the continued maintenance of weaker EC currencies in the band more difficult. Despite these objections, it is quite possible that the Swiss will reach agreement with the current members to enter the currency group within the next month or two. Discussions on the matter will continue this weekend, possibly centering on the difficult issue of setting a reasonable rate at which the Swiss franc can join the group.

Paris, which left the European joint float a year ago, also is apparently seeking to rejoin, but on its own terms. In response to a demarche by the Belgians, Paris expressed an interest in rejoining the joint float if the current 2.25-percent margins of fluctuations between currencies were expanded to 4 or 4.5 percent. The other members will almost certainly refuse the French terms because this would permit maximum fluctuations between currencies of 9 percent.

Most participants view such a degree of fluctuation as excessive because of their close trade ties. The failure of Paris to object to the proposed entry of the

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Swiss franc into the joint float may indicate that Paris does not intend to pursue the matter strongly at the present time.

To compensate for currency changes under floating exchange rates, the EC has adopted a new method to arrive at the value of the "unit of account" used to express amounts of money spent on or contributed to Community programs. The new unit that the ministers agreed to adopt will be based on a "market basket" of EC currencies, which will initially be applied in a limited manner.

In part to emphasize this symbolic manifestation of European independence, the French especially had been pressing for adoption of a new unit. Almost six months have been spent in adjusting the relative weights the individual EC currencies should have in the "basket," largely for reasons of national prestige. One effect of the new unit will be to increase the payments to the Community by countries--such as the UK--whose currencies have depreciated relative to other Community currencies. As a result, the new unit will not be applied to sensitive areas like agriculture and the EC budget, at least until after Britain's referendum campaign. Initially, the unit will be used for the European Investment Bank and the European Development Fund.

The EC countries want to initiate economic discussions with the US to push for a more aggressive US anti-recession policy. Although they are increasingly concerned with slow growth and unemployment at home, most EC countries are reluctant to take the lead in stimulating economic expansion because of the negative impact it would have on trade balances. Their objective is to spur Washington to lead the way out of the current economic slump.

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AUSTRALIA

The ouster of Liberal leader Snedden as parliamentary opposition leader yesterday will probably increase factionalism among the Liberals and lessen the chances of an early election.

Snedden's successor, Malcolm Fraser, is a staunch conservative and is not widely popular in the party. Many Liberals considered Snedden's pragmatic and moderate approach to be important in regaining the support of the electorate. His repeated failure to provide effective parliamentary leadership, however, led to his falling out of favor. Fraser, despite an abrasive manner that alienates some Liberals, was the best organized to challenge Snedden.

The leadership change sharply reduces the prospect of the Liberal-Country coalition using its control of the upper house of Parliament to force the Labor government into an early election. For his part, Prime Minister Whitlam has said he does not favor elections while Australia is preoccupied with economic difficulties. Continued obstruction of Whitlam's legislative program, however, could cause him to call elections later in the year.

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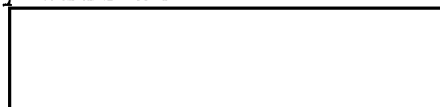
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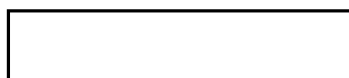
USSR: The Soviets are once again exercising their right to operate in waters close to the US. The two Krivak-class guided-missile destroyers that arrived in Havana on February 27 have entered the Gulf of Mexico. This foray into the Gulf most likely will be followed by calls at various ports in Cuba.



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